

**JOINT MEETING – BOARD OF SELECTMEN & FINANCE COMMITTEE
FEBRUARY 9, 2011**

I. Call to Order/Roll Call

Board of Selectmen Chairman Alex Vispoli and Finance Committee Chair Joanne Marden opened the Joint Meeting of the Board of Selectmen and Finance Committee at 7:00 P.M. in the Selectmen's Conference Room at the Town Offices. Present from the Board of Selectmen: Chairman Alex Vispoli and Selectmen Mary Lyman and Ted Teichert. Present from the Finance Committee: Chair Joanne F. Marden and members Richard T. Howe, S. Jon Stumpf, Mary O'Donoghue, Mark Merritt, Margaret Kruse, Cynthia Milne, Paul Fortier, and Greg Rigby. Also present: Town Manager Reginald S. Stapczynski, Assistant Town Manager Steven S. Bucuzzo and Finance Director Anthony J. Torrisi. Members of the School Committee, Superintendent of Schools Dr. Marinel McGrath and Interim Business Manager Peter DeRoeve were present in the audience. The meeting was duly posted and cablecast live.

II. Opening Ceremonies

Chairman Vispoli led the members in a Moment of Silence followed by the Pledge of Allegiance.

III. FY-2012 Budget Presentation

Chairman Vispoli reported that he and Joanne Marden are both on the Board of the Massachusetts Municipal Association and they, along with other members of the MMA Board, attended a meeting with the Lt. Governor's Advisor Council on Tuesday. The main topic on everyone's list is health care reform with the criteria for change to be simple, quick, the removal of veto power and allowing towns to negotiate health care changes. Chair Marden said it was very clear that changes to health care will be a difficult problem to solve.

A. FY-2012 Town Manager's Recommended Budget Presentation

The Town Manager welcomed everyone to his presentation of the Town Manager's Recommended Budget for FY-2012. He said the Budget can be found on the Town's website at www.andoverma.gov and copies are available at the Town Clerk's Office and Memorial Hall Library. The theme of this year's Budget is, "We are all in this together", reflecting on a new group of stakeholders including two new State Representatives, a new Senator, new members of the three boards (Selectmen, Finance Committee and School Committee), Town and School officials and a new attitude and approach to this year's Budget. He said key positions have changed and they are looking to build on that change as the FY-2012 Budget is pulled together. The Recommended Budget for FY-2012 is \$149,435,662 – \$5.3M over the available revenue of \$144.1M. Town and School budgets are out of balance by \$654,470 (Town) and \$4,650,818 (Schools) that need to be brought into balance by the end of March. The budget appropriation for FY-2011 was \$317.7M and this year the recommended appropriation is \$33.4M. The School Committee Budget for FY-2011 was \$61,888,421 and is \$66,245,314 for FY-2012 – the Town Appropriation for FY-2011 was \$31.7M and is \$33.4M for FY-2012.

The Town Manager said there are challenges ahead but also opportunities that include:

- Maintaining the same level of services
- The total Town FTE count is down by -1.55
- Includes the new consolidated IT Departments
- Internal Department Reorganizations
- Employee Health Insurance
- DPW & Plant & Facilities management and organizational study
- Vacancies left open
- Funding of the OPEB (recommending \$300,000 from Free Cash)
- Capital Projects funding

The Governor's House I Budget shows:

- An increase in Chapter 70 Education Aid
- An increase in Special Education Circuit Breaker (amount uncertain)
- Unrestricted General Government Aid decreased by 7% for all municipalities
- Level funding of State-owned land and other small Local Aid accounts
- Increase in Chapter 90 Local Road Program revenue

Issues remaining for the FY-2011 Budget include:

- Deficit of the Snow and Ice Budget
- Expected deficit for Employee Health Insurance
- Concern about increases in gasoline and diesel fuel
- Special Education Mandates unfunded

Other noteworthy items to consider:

- The Town once again has a AAA bond rating
- Credit worthiness
- Policies and practices in place for Budget control
- Green Communities designation (grants awarded have been helpful)
- Approval of the Bancroft School project

The Town Manager reviewed the breakdown of the FY-12 Recommended Budget by Department for the Town, Schools, Fixed Costs, Water/Sewer Enterprise, CIP Funding, and articles and non appropriated costs.

A review of the Revenue and Expense Summary for FY-2012 (found on pages 157 & 158 of the Budget document) shows anticipated revenues up by 3.0% over last year, expenses up by 6.8% over last year and the deficit to close the budget gap at \$5,305,288. Revenue from interest income is lower due to lower interest rates.

The recommended use of Free Cash is certified at \$1,609,894 to be used for Supplemental Appropriations for FY-2011 in the amount of \$1,300,000, funding for FY-12 Budget is zero, funding for OPEB is \$300,00 and July 4th Fireworks is \$12,000.

Revenue to cover the recommended CIP for FY-2012 will come from General Fund Revenue \$1,963,000; General Fund Borrowing \$3,660,000; Special Funds Exempt Borrowing \$100,000; Special Dedicated Funds \$1,369,582 and the Water/Sewer Enterprise Fund \$1,175,000 for a total of \$8,267,582. Large debt projects include the Bancroft Elementary School, Ballardvale Fire Sub-station and the Municipal Services Facility.

The following dates have been scheduled for the Budget Review: February 9, 16, 23, 28 and March 2, 7, 9, 14, 16 and 21. The Finance Committee Book will go to print on April 1st. The March 7th and March 16th Tri-Board Meetings will be held in the School Committee Room. All other meetings will be held in the Board of Selectmen's Meeting Room.

Questions and Comments

Selectman Teichert asked why we continue to have budgets presented that exceed available funds. He said we have \$144M to spend and we should stay within funds available, building the budget around that number. The Town Manager responded that many priorities drive the budget but we have eight weeks to get to the available funds number.

Finance Committee member Jon Stumpf asked if there are other areas where savings can be realized. Finance Committee Chair Marden requested that supplemental budget information be provided as revenues are updated.

Robert Pokress, 3 Cherrywood Circle, asked why the Board and the School Committee have not directed the Town Manager and Superintendent to prepare budgets that are tax neutral. Mr. Collins commented that the School budget is different and salaries increase yearly as teachers move up the track/step scale.

School Committee Chairman Dennis Forgue said it is early in the budget process and the School Committee will be presenting a different budget format this year showing what the expenses are for each school and assumptions. The budget is a work in process and they have established a School Committee Sub-committee to work with the Superintendent and Business Manager.

Selectmen Chairman Vispoli stated the Town Manager has an obligation to arrive at a balanced budget and there are no planned overrides.

School Committee member David Birnbach said he would like to see more creativity from both the Town and School and to look at new operating norms.

Finance Committee Chair Joanne Marden stated that in order to make the budget work without an increase in taxes we would have to take \$2.6M out of the revenue stream. The deficit may be a different number as the Budget gets worked out and remaining revenue from various departments applied.

Selectman Mary Lyman asked if the Department Heads are prepared to present how they will operate differently and have a "what if" scenario prepared. The Town Manager stated he has given the Department Heads preliminary instructions to have crisp, clear presentations. They will be using the same template as last year for presenting a level services budget.

Selectmen Chairman Vispoli stated the Governor has set aside \$9.1M for regionalization opportunities submitted by municipalities and we should consider taking advantage of that revenue.

Finance Committee Chair Marden said the cause of the increase is all in personnel costs for health insurance, salaries, and pensions. The increase in health insurance alone is close to the deficit number.

School Committee Chairman Forgue commented on the unfunded school mandates from the Federal and State governments. The School Committee has been in negotiations with the AEA since last June and the next steps will include bringing in a mediator to meetings. There are a range of items on the table to be discussed and he said the School Committee is committed to negotiating a contract they can support and live with. Finance Committee member Jon Stumpf said it is important for the community to know there is already a significant amount of obligations to fund over the years to come.

The Town Manager said the Town and School Departments have to work quickly to bring the budget numbers to the desired outcomes.

IV. Adjournment

Selectman Lyman motioned to adjourn the Joint Meeting. The motion was seconded by Selectmen Teichert and voted 3-0 to approve.

The meeting adjourned at 8:39 P.M.

Respectfully submitted,

Dee DeLorenzo

Dee DeLorenzo, Recorder